

*Independent Auditor's Report*

***Rural Water, Sewer, Gas and Solid Waste Management***

***District No. 7, Grady County***

*Year Ended May 31, 2023*

**RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT  
DISTRICT NO. 7, GRADY COUNTY  
NINNEKAH, OKLAHOMA  
May 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Directors  
Rural Water, Sewer, Gas and Solid Waste Management District No. 7, Grady County  
Ninnekah, Oklahoma

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying modified cash basis financial statements of the business-type activities of Rural Water, Sewer, Gas and Solid Waste Management District No. 7, Grady County, Ninnekah, Oklahoma, as of and for the year ended May 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities of Rural Water, Sewer, Gas and Solid Waste Management District No. 7, Grady County, Ninnekah, Oklahoma, as of May 31, 2023, and the respective changes in modified cash basis financial position, and cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rural Water, Sewer, Gas and Solid Waste Management District No. 7, Grady County, Ninnekah, Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matter – Basis of Accounting*

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

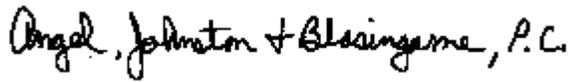
- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Chickasha, Oklahoma  
January 2, 2024

**RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT  
DISTRICT NO. 7, GRADY COUNTY  
Statement of Net Position  
Modified Cash Basis  
For the Year Ended May 31, 2023**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$	341,524
<i>Total Current Assets</i>		341,524

**Non Current Assets**

Land		383,957
Other capital assets, net of depreciation		3,500,232
<i>Total Non Current Assets</i>		3,884,189
 <i>Total Assets</i>		 4,225,713

**LIABILITIES**

**Current Liabilities**

Line of credit - FNB		1
<i>Total Current Liabilities</i>		1
 <i>Total Liabilities</i>		 1

**NET POSITION**

Net investment in capital assets		3,884,188
Unrestricted		341,524
<i>Total Net Position</i>	\$	4,225,712

The accompanying notes are an integral part of the financial statements.

**RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT  
DISTRICT NO. 7, GRADY COUNTY  
Statement of Revenues, Expenses and Changes in Net Position  
Modified Cash Basis  
For the Year Ended May 31, 2023**

<b>Operating Revenues</b>	
Water revenue	\$ 822,107
Sewer revenue	11,936
Late charges	2,964
Unit fees	28,359
Miscellaneous fees	2,995
Line extensions	6,865
<i>Total Operating Revenues</i>	<u>875,226</u>
<b>Operating Expenses</b>	
Salaries	166,881
Retirement	12,295
Payroll taxes	64,305
Returned checks	4,198
OCES	2,884
Office expense	44,857
Wells	155,575
Operation and maintenance	225,613
Insurance	26,224
Professional fees	8,715
Depreciation expense	106,419
<i>Total Operating Expenses</i>	<u>817,966</u>
<i>Operating Income (Loss)</i>	<u>57,260</u>
<b>Non-Operating Revenues (Expenses)</b>	
Rent	3,344
ODOT Reimbursement	617,168
Interest expense	(1,472)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>619,040</u>
<i>Change in Net Position</i>	<u>676,300</u>
<i>Net Position - Beginning of Year</i>	<u>3,549,412</u>
<i>Net Position - End of Year</i>	<u>\$ 4,225,712</u>

The accompanying notes are an integral part of the financial statements.

**RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT  
DISTRICT NO. 7, GRADY COUNTY  
Statement of Cash Flows  
Modified Cash Basis  
For the Year Ended May 31, 2023**

**Cash flows from operating activities**

Receipts from customers	\$ 875,226
Payments to employees	(166,881)
Payments to vendors	(544,666)
<i>Net cash provided by (used for) operating activities</i>	163,679

**Cash flows from capital and related financing activities**

Interest expense	(1,472)
Purchase of capital assets	(937,408)
ODOT reimbursement for capital assets	617,168
<i>Net cash provided by (used for) capital and related financing activities</i>	(321,712)

**Cash flows from investing activities**

Rental income	3,344
<i>Net cash provided by (used for) investing activities</i>	3,344

<i>Net increase (decrease) in cash and cash equivalents</i>	(154,689)
<i>Cash and cash equivalents at beginning of year</i>	496,212
<i>Cash and cash equivalents at end of year</i>	\$ 341,523

**Reconciliation of operating income (loss) to net cash provided (used) by operating activities**

Operating income (loss)	57,260
Adjustment to reconcile operating income to net cash provided (used) by operating activities:	
Employee Payable	
Depreciation expense	106,419
<i>Net cash provided by (used for) operating activities</i>	\$ 163,679

The accompanying notes are an integral part of the financial statements.

**RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT  
DISTRICT NO.7, GRADY COUNTY  
Notes to Basic Financial Statements  
For the Year Ended May 31, 2023**

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**Note 1 – Summary of Significant Accounting Policies**

**1.A. Reporting Entity**

Grady County Rural Water, Sewer, Gas and Solid Waste Management District No. 7, Grady County (The District) was created in 1992 as a quasi-governmental unit under Oklahoma State Statute Title 82. The District is a body politic and corporate and an agency and legally constituted authority of the State of Oklahoma for the purpose of developing and providing an adequate rural water supply. Prior to 1992, it was accounted for as a non-profit corporation under Section 501(c)(12) of the Internal Revenue Code. The District provides water and limited sewer services to patrons within its District boundaries. A five person board duly elected by its members governs the District.

The District is under limited supervisory control of the Grady County Commissioners. After considering the lack of financial interdependency and the lack of exertion of significant influence over the District's operational matters, it was determined that the District is not a component unit of the Grady County governmental unit.

**1.B. Basis of Presentation**

The District's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. All activities of the District are business-type activities. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

**1.C. Measurement Focus and Basis of Accounting**

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recognized and recorded in the financial statements regardless of the measurement focus applied.

The District's financial statements use the economic resources measurement focus and are presented on the modified cash basis of accounting. Revenues are recognized when they are received and expenses are recorded when paid with the following modifications:

- Capital assets are recorded when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.

**RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT  
DISTRICT NO.7, GRADY COUNTY  
Notes to Basic Financial Statements  
For the Year Ended May 31, 2023**

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**Note 1 – Summary of Significant Accounting Policies, (continued)**

**1.C. Measurement Focus and Basis of Accounting, (continued)**

This basis is a basis of accounting other than accounting principles generally accepted in the United States of America. If the District utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

**1.D. Assets, Liabilities and Net Position**

Cash & Cash Equivalents –The District considers all cash on hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit and U.S. Treasury bills with maturities of three months or less to be cash and cash equivalents.

Land – The District currently owns land valued at \$383,957.

Capital Assets – Capital assets are capitalized and stated at cost. A capitalization threshold of \$1,000 is used to report capital assets. Depreciation of exhaustible capital assets is recorded as an expense over the estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building, Water System, Improvement, Equipment	10-40 years
Office Equipment	5-7 years
Other Equipment and Vehicles	5-15 years

Net Position – Net position is divided into three components:

- a. *Net Investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

**RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT  
DISTRICT NO.7, GRADY COUNTY  
Notes to Basic Financial Statements  
For the Year Ended May 31, 2023**

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**Note 1 – Summary of Significant Accounting Policies, (continued)**

**1.D. Assets, Liabilities and Net Position, (continued)**

- c. *Unrestricted net position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the District’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**1.E. Revenues and Expenses**

Operating and Non-Operating Revenues – Operating revenues are considered those whose cash flows are related to operating activities, while revenue related to financing, capital, and investing activities are reported as non-operating.

Expenses – The District reports expenses relating to the use of economic resources.

**1.F. Estimates**

Certain estimates are made in the preparation of the modified cash basis financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management’s best judgment and may vary from actual results.

**Note 2 - Deposits, Investments, and Collateral**

Deposits and Investments - The District’s investment policy is governed by the board of directors and any restrictions in the bylaws.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a written policy for custodial credit risk. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to \$250,000 at each institution for all demand deposit accounts and up to \$250,000 at each institution for all time and savings accounts. The National Credit Union Administration (NCUA) insures deposits up to \$250,000 at credit unions. As of May 31, 2023, the District’s funds were not exposed to custodial credit risk.

**RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT  
DISTRICT NO.7, GRADY COUNTY  
Notes to Basic Financial Statements  
For the Year Ended May 31, 2023**

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**Note 3 - Capital Assets**

Capital asset activity for the fiscal year ended May 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non-Depreciable Assets:				
Land	\$ 376,957	\$ 7,000	\$ -	\$ 383,957
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-depreciable assets	<u>376,957</u>	<u>7,000</u>	<u>-</u>	<u>383,957</u>
Depreciable Assets:				
Buildings	198,323	-	-	198,323
Vehicles	94,482	-	-	94,482
Office Equipment	8,877	-	-	8,877
Water Lines/Improvements	<u>4,930,569</u>	<u>930,408</u>	<u>-</u>	<u>5,860,977</u>
Total depreciable assets	<u>5,232,251</u>	<u>930,408</u>	<u>-</u>	<u>6,162,659</u>
Less accumulated depreciation:				
Accumulated Depreciation	<u>(2,556,008)</u>	<u>(106,419)</u>	<u>-</u>	<u>(2,662,427)</u>
Net Depreciable Assets	<u>2,676,243</u>	<u>823,989</u>	<u>-</u>	<u>3,500,232</u>
Net Capital Assets	<u>\$ 3,053,200</u>	<u>\$ 830,989</u>	<u>\$ -</u>	<u>\$ 3,884,189</u>

**Note 4 - Meter Deposits**

Prior to 1980 the District collected refundable meter deposits from the water line users. Since that time, it has been policy for new members to pay a non-refundable membership and installation fee. Because the District's records disclosing meter deposits have been subsequently destroyed, there is no documentation as to who still has a refundable meter deposit outstanding. The District feels this amount is not material and that they would have sufficient funds available to refund any outstanding meter deposits.

**Note 5 - Employee Pension Plan**

**Simplified Employee Pension** - On February 4, 1999, the District enacted a Simplified Employee Pension Plan (SEP Plan) utilizing the IRS Form 5305-SEP for its employees. A SEP Plan is a written arrangement described in section 408(k) of the Internal Revenue Code that provides a simplified way to make contributions toward employees' retirement income. Under a SEP Plan, contributions can be made to an employee's individual retirement account or annuity account. The SEP Plan is a defined contribution plan. The

**RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT  
DISTRICT NO.7, GRADY COUNTY  
Notes to Basic Financial Statements  
For the Year Ended May 31, 2023**

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**Note 5 - Employee Pension Plan, (continued)**

District administers the SEP Plan and has the authority to make amendments. The custodian of the SEP Plan is New York Life Insurance and Annuity Corporation.

Employee Eligibility Requirements – Eligibility is limited to employees who are at least 21 years old and have performed services for the District in at least 1 year of the immediately preceding 5 years. This SEP Plan does not include employees covered under a collective bargaining agreement, nonresident aliens, or employees whose total compensation during the year is less than \$400.

Contributions – For each calendar year, the District will contribute a matching contribution to each eligible employee’s SEP account of 8% of the employee’s compensation for the calendar year. Contributions are made on a monthly basis. Contributions made during the fiscal year are as follows: District - \$12,295, Employees - \$0.

Vesting Requirements - All contributions made under this SEP Plan are fully vested and nonforfeitable.

No Withdrawal Restrictions – The District does not impose any withdrawal restrictions.

**Note 6 - Water Rights Lease**

The District leases water rights from area residents to provide the water service to its customers. The District currently is party to four separate leases for such water rights:

- 1) Adams lease (\$1,159.68/month) – started in 1981 with no definite term, renewable month to month and a 2.5% yearly escalation.
- 2) Voreck lease (\$18.75/month) – started in 1990 for a 40 year term with renegotiations every three years.
- 3) Rust lease (\$700.00/month) – started in 1998 for a 40 year term with renegotiations every five years. \$350/month per well makes up the \$700/month starting July 1, 2020.
- 4) Sumner lease (\$368.96/month) – started in 1999 for a 40 year term with a set payment scheduled for 5 years.

**RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT  
DISTRICT NO.7, GRADY COUNTY  
Notes to Basic Financial Statements  
For the Year Ended May 31, 2023**

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**Note 7 - Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; business interruptions; errors and omissions; injuries to employees; employee health; and natural disasters. The District manages these various risks of loss by securing commercial insurance. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the District. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

**Note 8 - Commitments and Contingencies**

*Contingencies – Grant Program Involvement* - In the normal course of operations, the District may participate in various federal and state grant programs from year to year. Amounts received or receivable from grantor agencies are often subject to audit and adjustment by the grantor agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

**Note 9 - Subsequent Events**

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

***REPORT ON INTERNAL CONTROL  
AND COMPLIANCE***

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Board of Directors  
Rural Water, Sewer, Gas and Solid Waste Management District No. 7, Grady County  
Ninnekah, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the business-type activities of the Rural Water, Sewer, Gas and Solid Waste Management District No. 7, Grady County, Ninnekah, Oklahoma, as of and for the year ended May 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated, January 2, 2024. Our report on the financial statements disclosed, that, as described in Note 1 to the financial statements, the District prepares its financial statements on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Rural Water, Sewer, Gas and Solid Waste Management District No. 7, Grady County, Ninnekah, Oklahoma's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,

or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2023-001 to be material weaknesses.

A *significant* deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2023-002 to be significant deficiencies.

### **Report on Compliance and Other Matters**

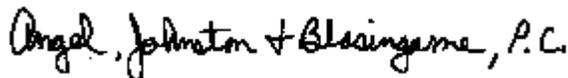
As part of obtaining reasonable assurance about whether Rural Water, Sewer, Gas and Solid Waste Management District No. 7, Grady County, Ninnekah, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002.

### **Rural Water, Sewer, Gas and Solid Waste Management District No. 7, Grady County, Ninnekah, Oklahoma's, Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Rural Water, Sewer, Gas and Solid Waste Management District No. 7, Grady County, Ninnekah, Oklahoma's response to the findings identified in our audit and described in the accompanying corrective action plan. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chickasha, Oklahoma  
January 2, 2024

**RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT  
DISTRICT NO. 7, GRADY COUNTY  
Schedule of Findings and Responses  
For the Year Ended May 31, 2023**

**2023-001** *Condition* – Presently the same individual performs all accounting functions; receives cash payments and is responsible for service billing and adjustments, also balances the daily cash drawer, posts payments to customer accounts, makes bank deposits, writes checks and reconciles the monthly bank statements and prepares monthly financial summaries.

*Criteria* – GAO Standards – Principal 10 – Design Control Activities – 10.12 and 10.14 state “Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk. If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.”

*Cause* – The District’s limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

*Effect or Potential Effect* – Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the accounting functions, including misappropriation of assets, could occur and not be detected within a timely basis.

*Recommendation* – We recommend that one person receive the checks, prepare the deposit slip and reconcile the bank account. A different person should take the deposit to the bank. A board member should review all bank statements and document approval of each reconciliation.

*Management Response* – See Corrective Action Plan.

**2023-002** *Condition* – During our testing of the expenditures program, we noted that 4 of the 18 transactions tested were not supported by an original itemized invoice, 10 of the 18 transactions tested did not have a signature denoting receipt of goods or services, and 1 of the 18 transactions tested did not have a cancelled check to view for correct vendor, amount and signatures.

*Criteria* – Proper purchasing procedures indicate that every transaction should have an original itemized invoice attached to the claim or purchase order, that the signature of the person receiving the goods or services be denoted on the face of the invoice or packing slip to verify the goods and services were received and for the correct amount to be paid, and that all cancelled checks should be retained.

*Cause* – The District has failed to follow proper purchasing procedures and internal controls.

*Effect or Potential Effect* – Failure to provide acknowledgement of receipt of goods or services could lead to fraudulent or incorrect invoices being paid.

*Recommendation* – We recommend that proper purchasing procedures and internal controls be followed at all times.

*Management Response* – See Corrective Action Plan.

**RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT  
DISTRICT NO. 7, GRADY COUNTY  
Schedule of Prior Year Audit Findings  
For the Year Ended May 31, 2023**

**2022-001** *Condition* – Presently the same individual performs all accounting functions; receives cash payments and is responsible for service billing and adjustments, also balances the daily cash drawer, posts payments to customer accounts, makes bank deposits, writes checks and reconciles the monthly bank statements and prepares monthly financial summaries.

*Current Status* – Condition still exists.

***AUTHORITY'S CORRECTIVE ACTION PLAN***

**AUDIT FINDINGS  
CORRECTIVE ACTION PLAN**

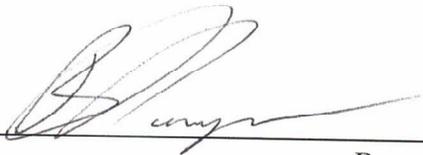
AUDIT YEAR 2023

AUDIT FINDING REFERENCE NUMBER: 2023-001

MANAGEMENT RESPONSE: These duties have been divided in order  
to assure accuracy.

AUDIT FINDING REFERENCE NUMBER: 2023-002

MANAGEMENT RESPONSE: We will be diligent in matching invoices,  
signing for goods and services and making sure cancelled checks  
are retained.

  
\_\_\_\_\_  
Board Chairman

1-2-23  
\_\_\_\_\_  
Date